



Insurance Distribution Directive (IDD)

October 2016

Insurance Distribution Directive in one shot

Main key elements



Key messages

- POG aims at ensuring that the customers' interests are taken into consideration throughout the whole life cycle of an insurance product
- Transparency of inducements schemes should ensure the respect of customers' interests
- Customers are supposed to buy insurance products which are suitable and appropriate with their profile
- A conflict of interest policy should facilitate the customers' understanding of the insurance undertakings' doings on their behalf

Product Oversight & Governance arrangements

Customers must be grouped into target markets based on both their suitability and appropriateness tests.

Regular reviews should be performed to check that products remain effectively distributed and consistent with the objectives of these respective target markets. This requires manufacturers to put at the distributors' disposal all product-related information deemed necessary.

Inducements

To prevent inducement's detrimental impact from happening, actions are suggested to enhance the alignment of the insurance distribution activities with customers' interests.

IDD

Conflicts of interests

To prevent any person from the insurance intermediary or undertaking to have an interest related to the insurance distribution activities which is not aligned with the customers' interest and which could be detrimental to him/her, a conflict of interest policy should be drafted.

However, in case the organisational and administrative measures taken by the insurance intermediary or undertaking cannot sufficiently ensure that the customer's interests will be protected from any conflict of interest, "the insurance intermediary or insurance undertaking shall clearly disclose to the customer the general nature or sources of the conflicts of interest, in good time before the conclusion of an insurance contract" (*Consultation Paper on Technical Advice on possible delegated acts concerning the Insurance Distribution Directive, EIOPA, p.112*)

Suitability & Appropriateness assessments

When advices are provided, it is the insurance intermediary or undertaking providing the advice that is responsible for undertaking the suitability assessment. This suitability assessment determines whether the recommendations given to the customer meet his / her investment objectives, risks' tolerance, financial situation and ability to bear losses, knowledge and experience levels.

When no advice is given, the appropriateness assessment should determine whether the customer has the knowledge and experience required to understand the underlying risks involved.

Contact details Deloitte's team

Thierry Flamand



Partner
tflamand@deloitte.lu
+352 661 451 469

Michaël Cravatte



Director
mcravatte@deloitte.lu
+352 661 451 884

Florent Anders



Senior Consultant
fanders@deloitte.lu
+352 661 451 922

Marie-Aude Lemerrier



Business Analyst
mlemercier@deloitte.lu
+352 621 568 495



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